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SUBJECT: A RIVER RUNS THROUGH IT - CONNECTING BURMA AND INDIA

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¶1. (U) SUMMARY: The Kaladan Multi-Modal Transport Project linking the landlocked states in Northeast India with Sittwe port in Myanmar holds the promise of making Mizoram an economic gateway, and providing India with access to international trade routes via the Bay of Bengal. The tentative steps taken so far by the GOI to realize its vision make the Mizo people cautiously optimistic about this ambitious project, and the potential economic benefits override concerns about possible socio-political fallout from closer economic engagement with Burma. It will be some time before the KMTP "arrives," and even then the GOI will tightly control its impact out fear of increased commercial competition from Southeast Asian and Chinese products. END SUMMARY.

¶2. (U) Proposed by the Indian Ministry of External Affairs in 2003, the Kaladan Multi-modal Transport Project (KMTP) aims to develop a trade route between India and Burma along the Kaladan River. The river is navigable for approximately 225 kilometers from the Burmese port of Sittwe on the Bay of Bengal to the town of Kaletwa (Setpyitpyin). From Kaletwa, a 62-kilometer road to Saiha in the Indian state of Mizoram will be constructed, linking at Saiha to India's National Highway 54, which runs through Mizoram's capital Aizawl into Assam and then mainland India (skirting Bangladesh).

¶3. (U) The KMTP is estimated to cost USD 120 million. A major portion of the expenditure would go to development of the Sittwe port, making the Kaladan river navigable up to Kaletwa, and building roads from Kaletwa to the Indo - Burma border. The GOI has decided to fund the project fully and hand it over to the Government of Burma (GOB) on completion. The Framework Agreement on the project and Accompanied Protocol are scheduled to be signed the first week of April 2008 when Burma's Vice Senior General Maung Aye is expected to visit New Delhi. Rail India Technical Economic Services (RITES), a GOI public consultancy company, will be the lead organization in executing the project.

¶4. (U) The development of the KMTP is of vital interest to India as it will offer the land-locked, north-eastern states of Assam, Arunachal Pradesh, Nagaland, Manipur, Mizoram, Meghalaya, and Tripura access to a sea port. The route bypasses Bangladesh, which has been reluctant to give India access to the Chittagong port less than 200 km away from Agartala, the capital of Tripura. With Mizoram acting as gateway to an international trade route via Myanmar, the state is hoping to reap significant economic benefits from the project. President of the Mizoram

Chamber of Industries & Commerce K. Lalhmingthanga said that the opening up of the new trade route will provide a much needed outlet for products from Mizoram. Currently, there are only two railway links connecting the state to other parts of India via Assam. The nearest one is Bairabi rail station, located about 110 kilometers from the state capital Aizawl and the other is Silchar, which is about 180 kilometers from Aizawl. Bairabi is a meter (narrow) gauge track so its use is limited; the route via Silchar is often beset by labor disputes, preventing a smooth flow of consignments in and out of Mizoram. Lalhmingthanga also hopes that the KMTP will create new jobs and employment sectors in a state where job opportunities outside government service are very limited.

15. (U) The expected boom may be some time in coming. Dean of the Economics Department of Mizoram University Dr. Lianzela believes that it will take another seven to ten years to develop the KMTP. He echoed the Mizoram Chamber's view that this is a federally funded and controlled project over which the Mizoram government has little or no control, although the state has the potential to gain a great deal from the project. The main food crop grown in the state is rice paddy, which forms the staple diet of the Mizo people. In recent years natural calamities like un-seasonal or excessive rainfall and rat infestation due to bamboo flowering have severely damaged rice production. The practice of jhum (shifting or slash and burn) cultivation has also caused environmental degradation. The Mizoram government is encouraging and supporting farmers in the state to move away from jhum cultivation to growing cash crops like ginger, turmeric, chilies, and fruits like pineapples, passion fruit, oranges and grapes. But this policy of diversifying agricultural production has lacked a corresponding preservation and marketing component for the new produce. Lianzela cited a 2007 incident when farmers threw hundreds of pineapples onto the highway to protest the lack of adequate cold chain facilities and market access for the fruit that they had been encouraged by the government to grow. Lianzela opined that the (short term)

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benefits of the KMTP to the Mizoram economy would be that products from Mizoram could find a wider market and that it would be easier to bring in food grains to the state.

16. (U) State officials are less aware of the project and less engaged in it, however. Few of the government officials we met (including the Secretary for Food and Civil Supplies, the Excise Commissioner, the Home Commissioner, Power Secretary, Secretary for Rural Development, and Health Minister) nor senior representatives of Mizoram's largest NGO the Young Mizo Association commented in detail about the KMTP. To those we spoke with, the economic benefits of the KMTP override any concerns about increased economic engagement with Burma and any socio-political implications of greater access to Burma through this trade route.

17. (U) Comment: Mizoram's leaders are keeping an eye on the KMTP, but the general consensus is that it is a GOI-run project with significant uncertainties about the time frame for commissioning and completion. Everyone agreed that if operational, the trade route would be beneficial to the Mizoram economy. This underscores the way in which the GOI keeps a firm grip on the reins of the NE states - by controlling the cash flow to the state governments, requiring obeisance from democratically-elected leaders, and suppressing state activism in the name of security. A project of the magnitude of the KMTP is bound to have environmental, social, and political consequences, yet no one appeared concerned about such issues. The uncertainties about the time frame of the KMTP also call into question the seriousness of India's Look East policy. The opening up of the Indo-China trade route through the Nathu La pass in the Himalayan state of Sikkim in 2006 held the promise of spurring the economy of that region, however there is not much visible evidence that this has happened. The actual success of the KMTP may be diminished by the GOI's protectionist instincts on the grounds of security and fear of goods dumping from China and other Asian nations.

